

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-705

December 7, 2004

BANGOR GAS COMPANY LLC,
Proposed Rate Change (Annual
Rate Cap Adjustment)

ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

We approve Bangor Gas Company LLC's (Bangor Gas or the Company) proposed Price Cap Adjustment and related Rate Element changes for effect on January 1, 2005.

II. BACKGROUND

In Docket No. 97-795, the Commission approved a rate plan for Bangor Gas under which the Company is allowed to file a proposed Price Cap Rate Adjustment each October 1, starting in 2000. The Price Cap Rate Adjustment allows the Company to change its Price Cap Rates each year by the Price Index, which accounts for inflation according to an approved formula. The Price Index reflects the Gross Domestic Product – Price Index (GDP-PI) for three years: the forecast year, the current year, and the previous year. The current Average Price Cap Rate for each class is increased by the Price Index change to set a new Average Price Cap Rate. The Average Price Cap Rate establishes the maximum amount Bangor Gas is allowed to charge, on average, each customer class. See Bangor Gas tariff at Original Sheets 5-7. Pursuant to the Rate Design Flexibility provision of its tariff (Original Sheet 9), the Company then may adjust its rate elements for each class, subject to the following constraints:

- a) No rate element shall be allowed to increase by more than 10% or by the percentage increase in the overall Price Cap Rate, whichever is greater; and
- b) Increases greater than the Price Cap Rate increase in a rate element for one customer class may not be compensated for by lower-than-average increases applicable to another customer class (interclass subsidization).

We review Bangor Gas's annual filing to determine whether it has correctly applied the Price Index change to Average Price Cap Rates and the Rate Flexibility provisions of its tariff.

III. PROCEDURAL HISTORY

On October 8, 2004, Bangor Gas filed its proposed annual Price Cap Rate Adjustment and provided a copy to the Office of the Public Advocate (OPA). The filing contained information supporting the Company's calculation and proposed revised tariffs, Original Sheet Nos. 6, 48 and 49, proposed for effect on January 1, 2005. Bangor Gas provided notice of the rate change to its customers in a bill insert in their October bills.¹

IV. ANALYSIS

A. Price Index and Average Price Cap Rate Changes

Using the formula contained in its tariff, Bangor Gas's calculations produce a Price Index change of 2.614% that will be used to adjust the current Average Price Cap Rate for each class. The Price Index reflects forecasted inflation for the current and upcoming years, and an adjustment to correct for differences between actual inflation in the prior year and the inflation forecast used to determine the last year's adjustment to the Price Cap Rate. This year, for the first time, the Productivity Offset of 0.50% has been incorporated into the rate change formula. Without this adjustment, 2005 rates would have been increased by 3.114%. Staff concludes that the Company's October 2004 Annual Price Cap Rate Adjustment is consistent with our Order in Docket No. 97-795 and the Company's tariff.

B. Rate Element Changes

Bangor Gas proposes to increase each of the rate elements for all classes by the full amount of the price index change with the exception of the monthly customer charge for the C&I (Small) customer class. Due to the cumulative rounding of the previous two years' rate adjustments, applying this year's adjustment would have caused the all-in (monthly customer charges plus volumetric charges at average usage rates) rate for the class to exceed the amount allowed by the price cap formula. Current rates were set in Docket No. 97-795 and adjusted on each January 1st in 2001, 2002, 2003 and 2004. The Average Price Cap Rates for each customer class were initially derived by forecasting a "bundled" rate that would be competitive with the customer's alternative fuel price, and subtracting the estimated energy charge. The Average Price

¹ In our Order in Docket No. 2001-683 approving BGC's January 1, 2002 Rate Cap Adjustment, we required Bangor Gas to develop notice provisions for use in all future Rate Cap Adjustment and Rate Element change filings and to formalize the procedure with Staff. Staff approved a format for the bill insert and agreed that Bangor Gas will include the insert in its October bill each year that it proposes to make a Price Cap Adjustment.

Cap Rates were divided into two components: the customer charge² and the volumetric charge.³ Under its rate plan, the Company may change the individual rate elements, i.e. its customer charge and usage charges, for a class so long as these changes do not result in an average per therm rate in excess of the class Average Price Cap Rate.

Under the approved rate plan, the Company could have varied its application of the escalation factor to various rate elements within the approved constraints noted above. The tariff formula provides that rates may not exceed the class average Price Cap Rates. Because applying the escalation factor to each element equally creates an average rate per class that is consistent with this requirement, we approve these rates.

V. ORDERING PARAGRAPHS

Accordingly, we

O R D E R

1. That Original Sheet No. 6 (Fifth Revision) is approved as filed to become effective January 1, 2005.

2. That Customer and Transportation Charges filed in this Docket on Original Sheets 48 and 49 (Twenty-fifth Revisions) are approved with an effective date of January 1, 2005.

Dated at Augusta, Maine, this 7th day of December, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

² The customer charge, which is the estimated average cost to serve a customer apart from the costs of gas and transportation, includes the service line, meter and regulator, meter reading, billing and collections.

³ These rates were initially set residually with the average volumetric delivery rates calculated based on an annualized customer charge and average usage rates of 140 dekatherms (Dth) for residential customers, 350 Dth for small C/I, and 21,000 Dth for large C/I. We will use these same levels to determine the class average rates in the future.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.